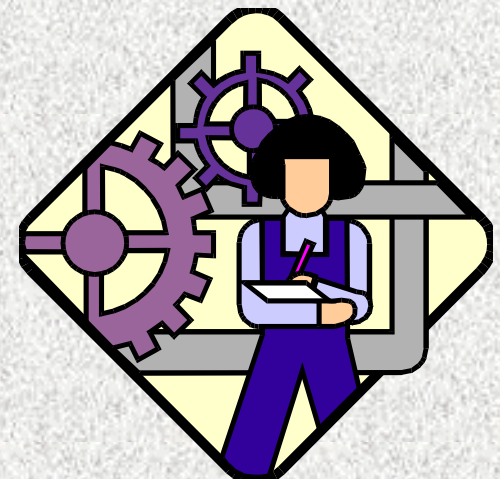




INTRODUCTION TO ESPC

Energy Savings Performance Contracting

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SESSION 1

Introduction



OVERVIEW

- Training Objective
- Course Outline
- Goal Reduction Status Update
- Introduction to UESC & ESPC
- Session Summary



TRAINING OBJECTIVE

To enable base personnel to implement an effective ESPC program that supports Air Force energy efficiency reduction goals mandated by the Energy Policy Act of 1992 and Executive Order 13123

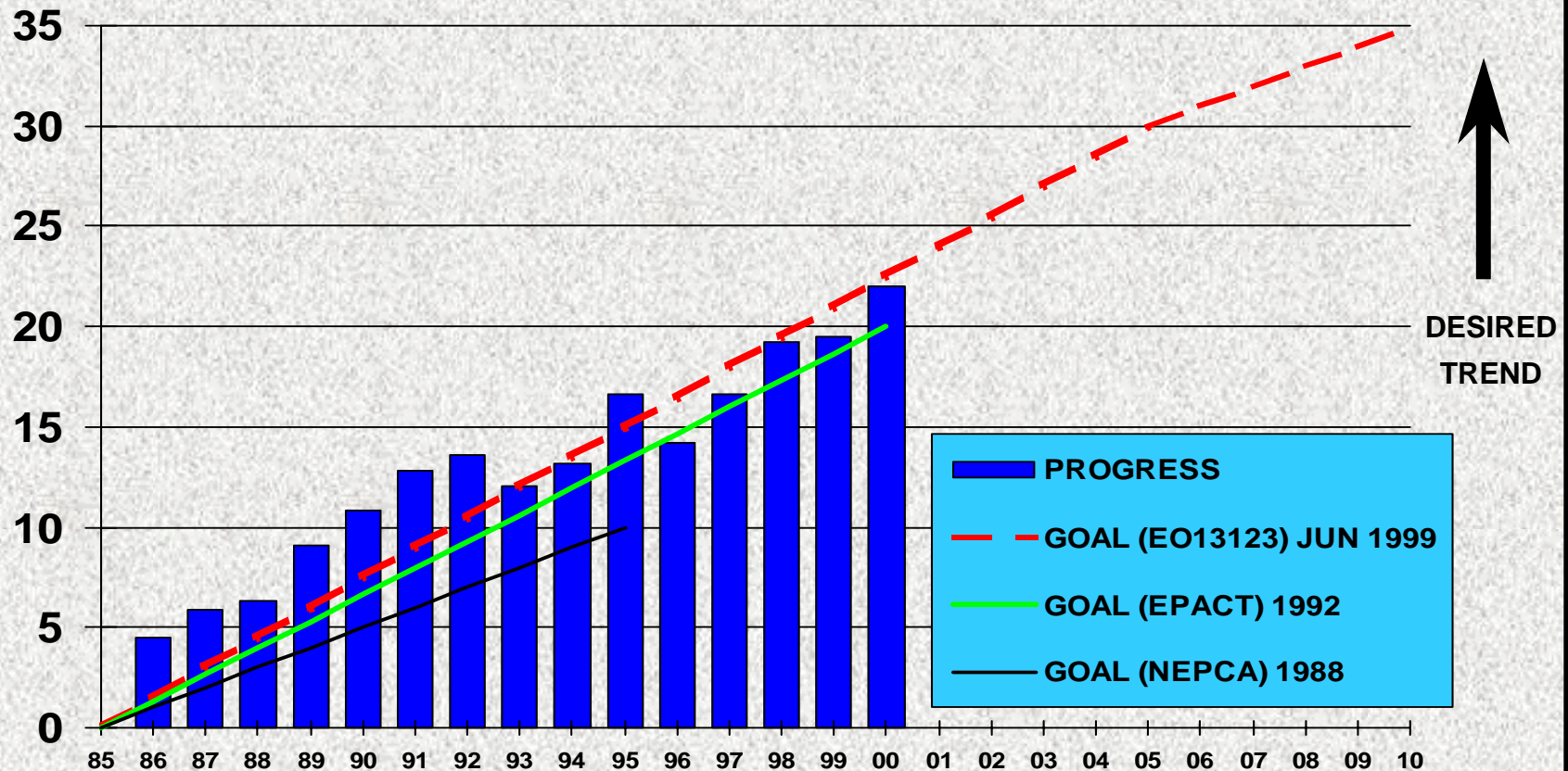


COURSE OUTLINE

- Introduction
- The ESPC Team
- Contract Overview
- Ordering Work
- Economics
- Measurement and Verification (M&V)



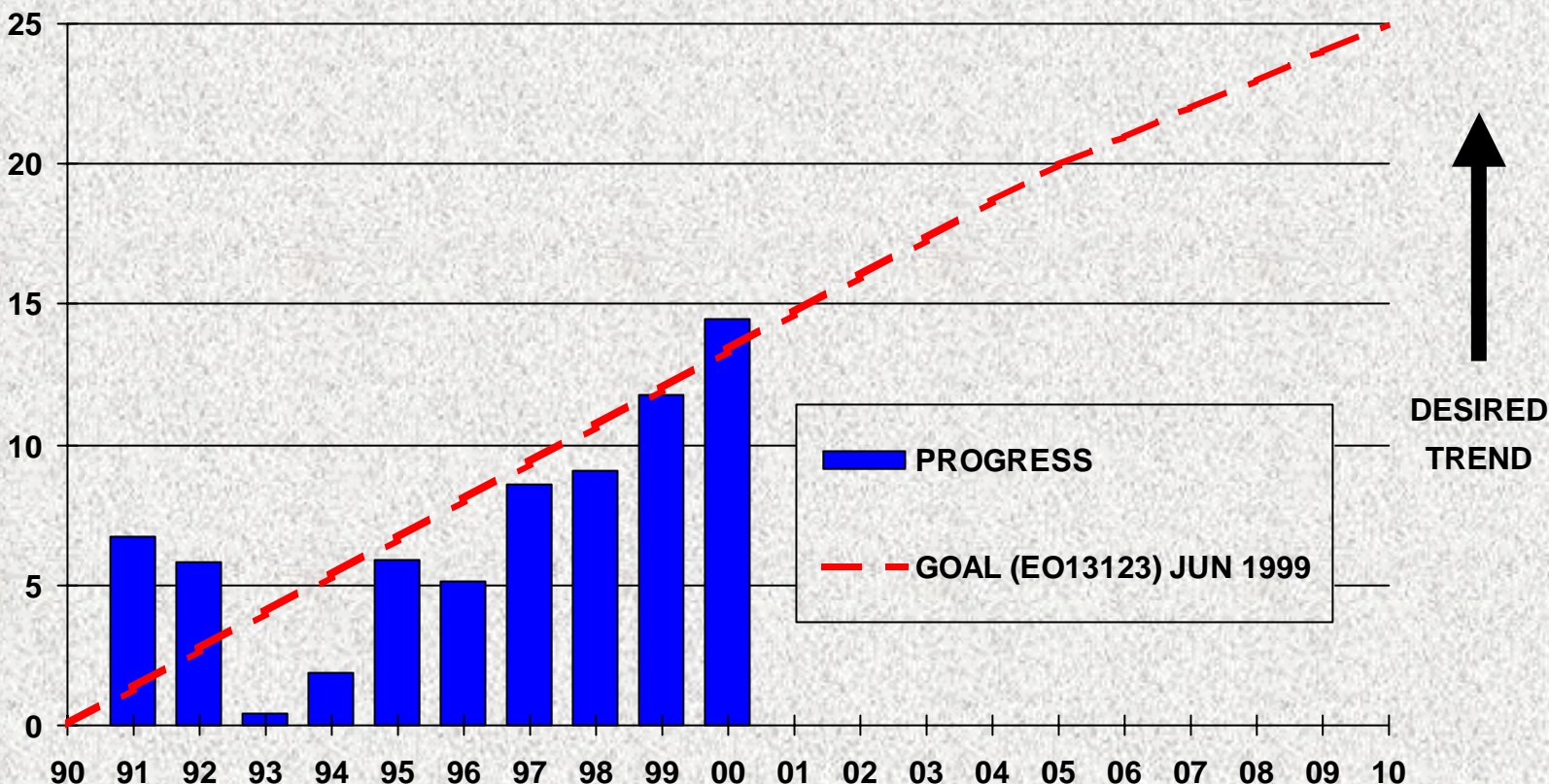
Cumulative Reduction Air Force Facility Energy



FY 00 PROGRESS = 22.0%



Cumulative Reduction Air Force Industrial Energy

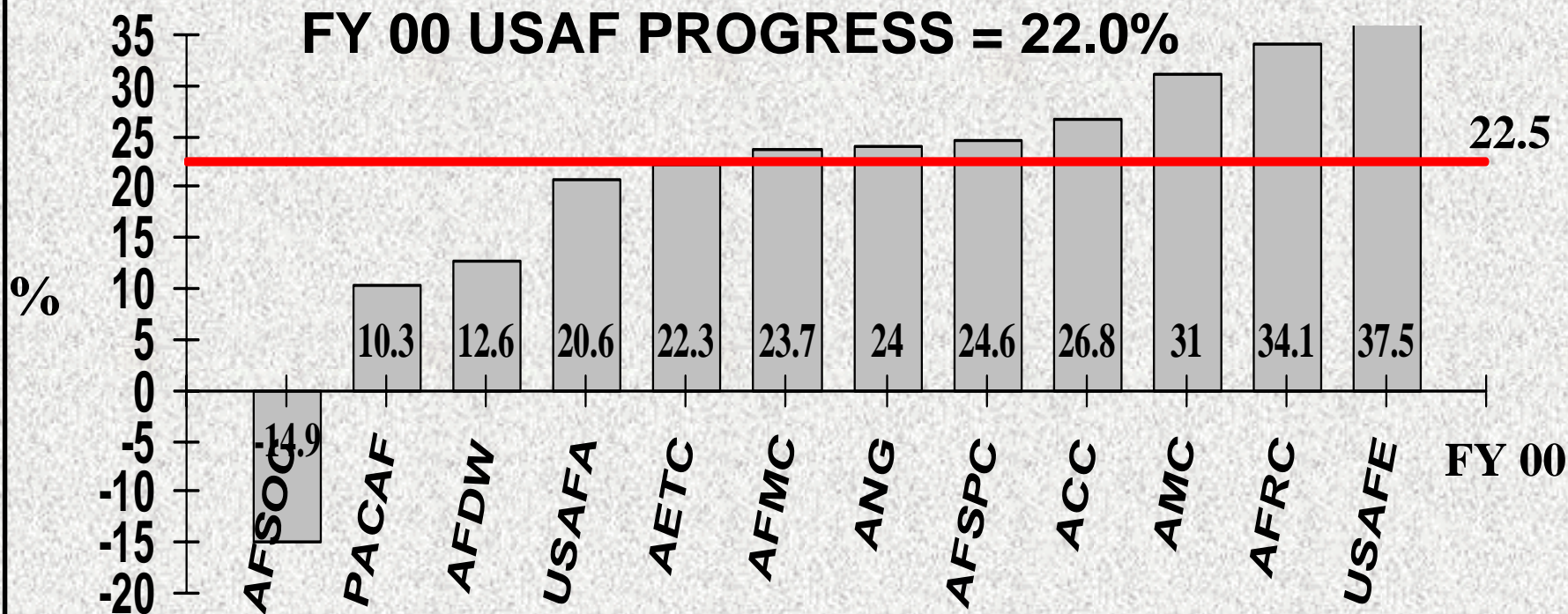


FY 00 PROGRESS = 14.5%



Cumulative Reduction Facility Energy by MAJCOM

■ PROGRESS — GOAL (EO 13123)



NOTE: FY 00 NUMBER IS ESTIMATED FOR AMC, ANG, and AFSPC



UTILITY ENERGY SERVICE CONTRACTS (UESC)

- Statutory Authority from 10 USC 2865
 - Negotiated sole source with regulated utility company
 - Financing by utility company
 - Payment of interest is allowed
 - Payment from funds budgeted for utility services



UESC BENEFITS

- Takes advantage of utility company financing
- May provide for no-cost energy audits
- Takes advantage of rebates/incentive programs
- Repayment through utility bills
- Limitations: Project must have 10 year payback;
Contract also cannot exceed 10 years



UESC CONTRACT VEHICLES

- As modification to existing utility service contract
- As exhibit to GSA area wide contract
- As separate contract
- Irrespective of which choice selected, use of “model agreement” recommended
 - Model agreement approved by DoD in Apr 97



ESPC DEFINITION

The term . . . “means contracts that provide for the performance of services for the design, acquisition, financing, installation, testing, operation, and where appropriate, maintenance and repair, of an identified energy or water conservation measure”
(Sec. 703, E.O. 13123)



ENERGY SAVINGS PERFORMANCE CONTRACTS (ESPC)

- Statutory Authority from 42 USC 8287 and 10 USC 2865
- Contract for up to 25 years with qualified Energy Services Company (ESCO)
- Financing provided by ESCO - Funds not needed to implement contract
- ESCO guarantees a savings to the base
- ESCO repaid from the savings - Payment of interest is allowed



STATUTORY AUTHORITY

- **42 USCA 8287**

- Federal Agencies may enter into ESPCs for up to 25 years
- Funding of cancellation charges usually not required
- Aggregate annual payments may not exceed amount agency would have paid without contract
 - Only required to have funds for current year
- Contractor owns, operates, and maintains equipment
- Contractor must provide guarantee of savings
 - Equipment performance/savings must be validated annually



DOD SPECIFIC STATUTORY AUTHORITY

- **10 USCA 2865**
 - The Secretary of Defense shall develop a simplified method of contracting for energy savings performance contracts (ESPC).
 - Agencies will implement all energy conservation measures that have a 10-year or better payback
 - The Secretary (of Defense) may also provide for direct negotiation with ESPC contractors who have been selected competitively and approved by any gas or electric utility serving the installation --





CODE OF FEDERAL REGULATIONS (CFR)

- Implements Energy Policy Act of 1992
- **10 CFR 436.30** Contract **SHALL:**
 - Authorize modification, replacement, or changes of equipment at no cost to the agency
 - Provide for disposition of title to equipment
 - Require prior CO approval of financing agreements
 - Provide for a guarantee of energy cost savings and an annual audit to verify achievement of guarantees



CODE OF FEDERAL REGULATIONS (con't.)

- **10 CFR 436.30** Contract **SHALL:**
 - Waive Requirement for Certified Cost and Pricing data
 - Treat interest as an allowable cost
 - Contain a cancellation ceiling that shall not be exceeded if contract terminated for convenience
 - Require that payments be made only from funds available for payment of energy and related O&M expenses



ESPC BENEFITS

- Takes advantage of ESCO financing
- Takes advantage of utility company rebates/incentive programs
- Paid based on Guaranteed Savings
- Provides single POC for audit, design, construction, and maintenance
- Provides Infrastructure Improvements that cost no more than utility bill and O&M would cost



ESPC CONTRACT VEHICLES

- Air Force Regional
- Army COE Huntsville Regional Contracts
 - AFCESA MOA
 - Army COE Full Service
- Individual Base Contract



PROGRAM HISTORY

- **Oct 86** Original legislation authorized Shared Energy Savings (SES) contracting
- **Oct 92** EPAct changed name to ESPC
- **Feb 94** First AF ESPC awarded for Randolph AFB
- **Jul 94** First Base-wide ESPC in DOD awarded at Hill AFB
- **Aug 97** Air Force Regional ESPC (RESPC) RFQs issued
- **Sep/Dec 98** Air Force RESPCs awarded
- **Dec 98** First RESPC Task Order completed - Travis AFB
- **Mar 00** RESPC Program Surpassed \$100M Investments



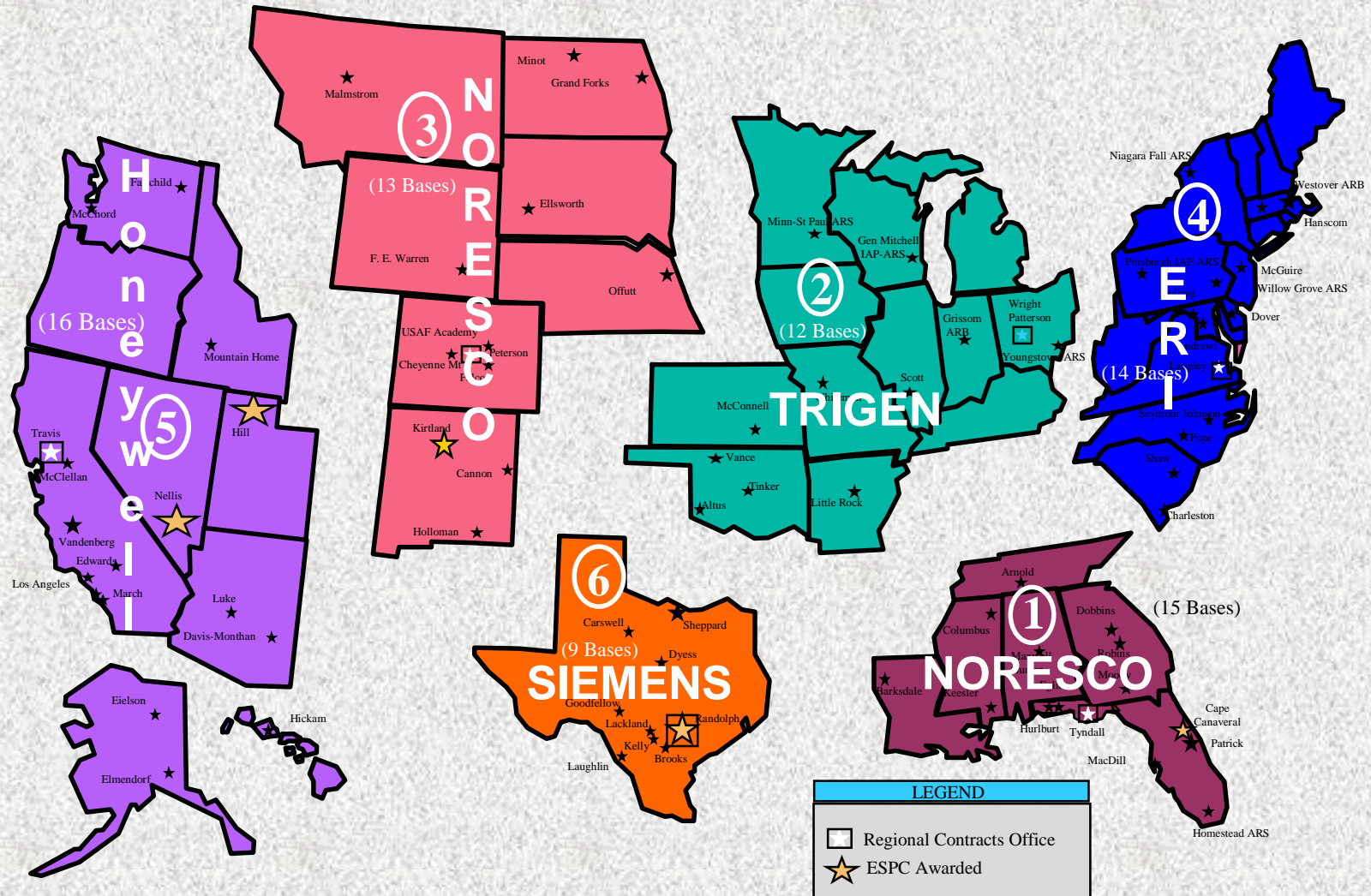
THE AF REGIONAL ESPCs (RESPC)

- Six regions: Available to 50 states and territories and Korea
- Combined contract capacity: \$1.27B
- Contract type: IDIQ - Single award
- All six contracts awarded Sep - Dec 98
- AF ESPC Regional Contracting Offices (RCO)

<u>Region</u>	<u>RCO</u>	<u>MAJCOM</u>
1	Tyndall	AETC
2	WPAFB	AFMC
3	Peterson	AFSPC
4	Langley	ACC
5	Travis	AMC
6	Randolph	AETC

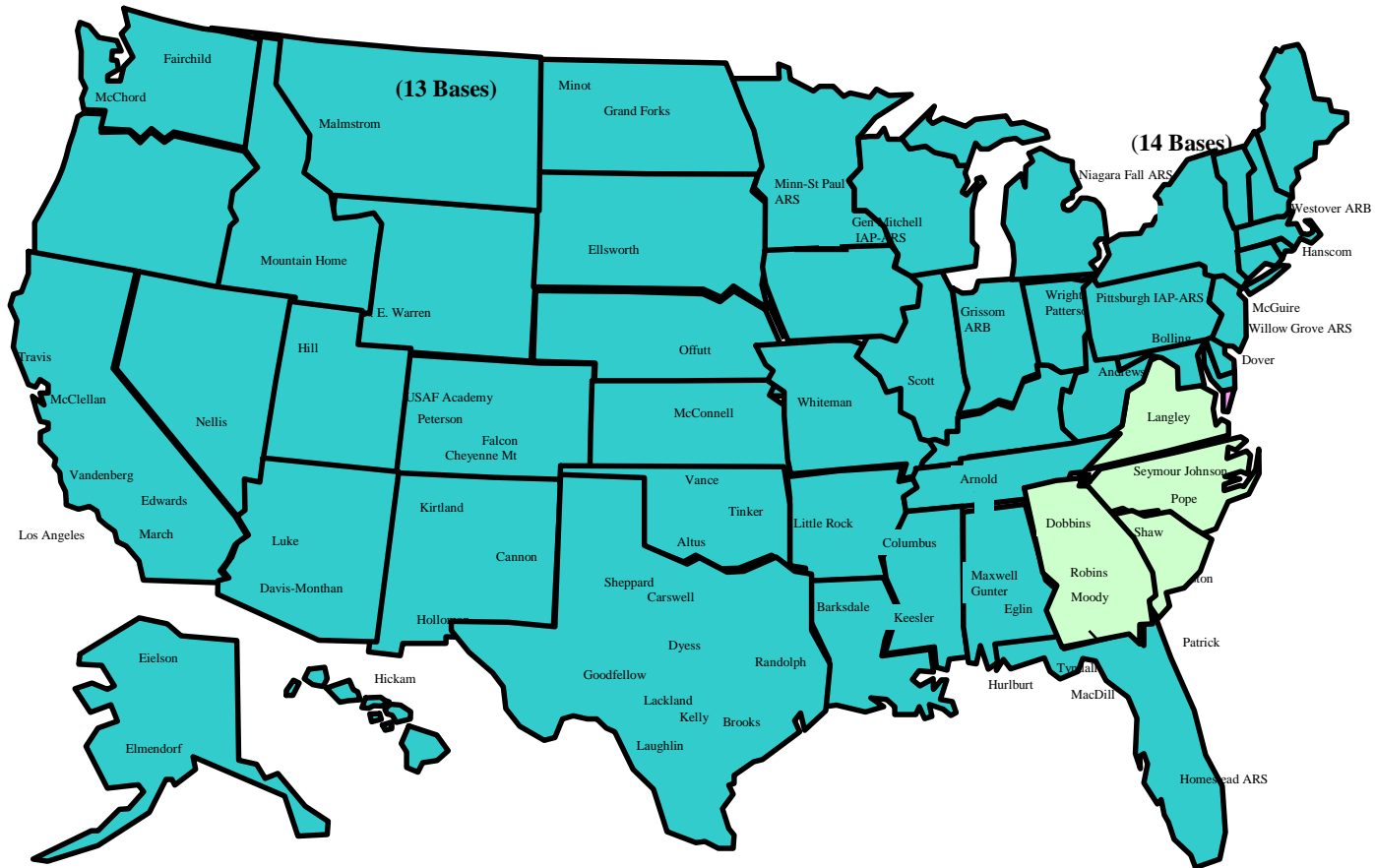


AIR FORCE REGIONAL ESPC





ARMY REGIONAL ESPCs





ARMY REGIONAL ESPCs

AFCEA/Huntsville MOA

- Base works through AFCEA for access to Huntsville contracts
 - AFCEA provides liaison support to Army
 - AFCEA provides semi-annual reviews
- Ordering authority delegated to base contracting
- Base awards and administers task orders
 - Primary players are engineering and contracting
 - AFCEA assistance available upon request
- 12 AFBs currently authorized to use this option



ARMY REGIONAL ESPCs

Full Service Option

- Installation puts up money (1% annual utility bill)
- Huntsville awards task orders
 - Provides engineering and contracting
 - Base and COE District provide input to Huntsville
- Base has primary responsibility for implementation
 - Works with COE District and Huntsville
- Charleston AFB, SC is only Air Force activity under this option
 - DOD funded initial effort



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AIR FORCE POSITION

- AF will strive to meet EPAct and EO 13123 mandates through an aggressive facility energy management program using all available resources.
- ESPC is a primary means the AF will use to achieve EPAct and EO 13123 mandates.
- Government funding is the preferred method of accomplishing energy efficiency enhancements; however, the AF will not budget for such.



AIR FORCE POSITION

- The AF will execute ESPC by AF, Army and Navy contracts, thereby providing needed capacity, leveraging resources, speeding execution, and demonstrating a Joint Service approach to the DoD ESPC initiative.
- The AF RESPC is the preferred means for a base to access an ESPC in the future. It is not necessary that existing efforts, using another means, be discontinued or switched to an AF RESPC.



SUMMARY

- Energy funding will continue to decline
 - AF will not budget for energy money
- ESPC is dynamic and evolving Program and AF is a leader
 - Base may use RESPC, Army or Navy contracts, or local base-wide contracts
 - Approaching \$1.5B in AF contract capacity
 - » Already received approximately \$110M in ESCO Investments
 - » ESPC is, or soon will be, available for all AF activities



QUESTIONS?

